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# RESIDENTIAL INTENSIFICATION CASE STUDIES

## Municipal Initiatives

### EXEMPTION FROM PLANNING AND DEVELOPMENT FEES **Ottawa, Ontario**

#### SUMMARY

Residential development in the downtown area is exempt from development charges, building permit fees, planning application fees and the requirement to pay for parkland.

**Date Implemented:** Original program established 1994, expanded in 2000 and again in 2002.

**Key Outcomes:** 64 housing projects and about 4,300 units either built, under construction, or in the approvals process in the downtown area.

#### BACKGROUND

In the three decades prior to the 1990s, the migration of households to Ottawa's suburbs resulted in an erosion of the city's downtown residential communities. Many older residential properties were converted into office space or allowed to deteriorate and were replaced by surface parking lots. High land values effectively eliminated housing investment except for upscale condominium development, which largely attracted singles. In the early 1990s a school closed and city leaders began to fear that other downtown schools and facilities that cater to families would follow suit.

In response, the City launched the Residential Downtown Intensification (Re-Do-It) initiative in 1994, designed to help reverse the erosion of the residential community and revitalize the city's downtown. The program included a waiver on development charges and a reduction in building permit fees for residential development in targeted areas.

In 1999, the mayor and a councillor launched a new downtown revitalization initiative. A Downtown Revitalization Summit was held with developers and other stakeholders, which led to the conclusion that a wider range of financial incentives, among other initiatives, was needed in order to achieve the City's housing objectives for the downtown. Key ideas from the summit were formulated into the Downtown Revitalization Action Plan, which was approved by the former Ottawa City Council in May 2000.

#### DESCRIPTION AND GOALS

The Downtown Revitalization Action Plan was composed of several elements, some of which could be implemented in the short-term by the former City of Ottawa and others that were put forward for consideration by the new City after amalgamation (which took place in January 2001).

The short-term provisions of the plan included several planning and development fee exemptions designed to stimulate downtown development:

- all downtown commercial and residential development was exempted from payment of building permit and planning application fees;
- residential developments of 50 units or less were exempted from the 5 per cent parkland levy in the downtown (with the exception of the Lebreton Flats area);
- the development charge exemption that had been the main plank in the former Re-Do-It program was continued as part of the new program.

The exemptions from building permit, planning application and payment-in-lieu of parkland fees was implemented through changes to the Buildings Bylaw. A reduction in residential parking requirements in selected areas was implemented through an amendment to the Zoning By-law. The exemption from development charges had been implemented through an amendment to the Development Charges Bylaw in 1994 and was renewed when the bylaw was revised in 1999.

After amalgamation of the 11 municipalities making up the former region of Ottawa-Carleton, a new Downtown Action Plan was approved by Council. The new plan approved the existing range of incentives, but extended the waiving of the residential cash-in-lieu of parkland levy to developments of more than 50 units. This was done on the grounds that incentives were also needed to stimulate development of larger scale projects.

The revised program also expanded the geographical area where the incentives would be offered. Initially, the program only applied to the downtown area west of the Rideau Canal (Somerset Ward), but in January 2002 it was extended to the downtown area east of the canal as far as the Rideau River. The development charges exemption applied to an area that was slightly smaller, with the eastern boundary approximately half-way between the canal and the river. Figure 1 shows the area where the various incentives currently apply.

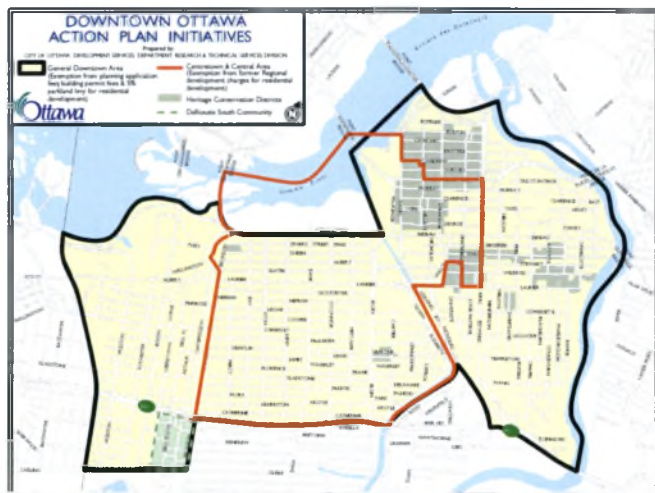


Figure 1: Program target areas  
Source: City of Ottawa

## COMPLEMENTARY POLICIES AND PROGRAMS

The Downtown Action Plan, of which the fee exemptions were part, included a wide array of other immediate and longer-term actions. Short-term initiatives included:

- *Formalize an existing practice that expedites development approvals.* Applications for projects in the downtown are dealt with on a priority basis. The planning department ensures that site plan approval can be obtained within 60 days after receiving a complete application and a rezoning within 90 days.
- *Reduce parking requirements.* Parking standards for residential development above commercial uses in the core area and along Elgin, Bank, Somerset and Bronson Streets have been eliminated, while standards have been reduced in the ByWard Market area and along Rideau Street.
- *Compile a list of vacant sites and surface parking lots.* An inventory of vacant sites and surface parking lots with the potential to accommodate new development was compiled by City staff and distributed to the public and private stakeholders in early 2003. The inventory provides maps and information on the size of the lots, ownership, current zoning and so on.

The longer-term actions contemplated by the plan include:

- *Commission a downtown urban design plan.* A Downtown Ottawa Urban Design Strategy Study was initiated in August 2002 that will develop a framework for improving the appearance and attractiveness of the downtown. It will provide guidelines for the future physical form of the downtown on both public and private lands and is expected to be completed by the end of 2003.
- *Mainstreets demonstration projects.* The City is considering a demonstration project for the conversion of above ground-floor commercial space to residential use in cooperation with the Business Improvement Association.
- *Downtown transportation strategy.* A long-term project, to be undertaken before the five year review of the Official Plan (approximately 2008), intended to promote transit and improve the pedestrian and cycling environments.

The structure of property taxes in the city has been changed in order to eliminate a former bias against apartment buildings. In the past, property taxes on apartment buildings were set at commercial rates, which were 2.5 times the rate applied on condominium buildings. In 2001, the City set up a tax class for multi-unit residential buildings that essentially lowered the tax rate on apartment buildings city-wide. Rental and condominium rates are now equalized.

The exemptions are complemented by zoning and planning policies. Special zoning regulations in the downtown provide maximum flexibility in design and development. Other than height limitations, there are very few zoning restrictions on what can be built. A wide range of residential uses, mixed-use buildings, and commercial development is permitted.

On a broader scale, the Downtown Action Plan has been integrated into the draft Official Plan for the new City of Ottawa as part of a major policy initiative to promote the downtown.

## STAKEHOLDER RESPONSE

A key component in the development of the Downtown Action Plan was the Downtown Revitalization Summit, held on January 29, 2000. Over 80 participants representing a diverse range of interests including developers, residents, architects and politicians identified a wide range of innovative ideas for revitalizing Ottawa's downtown. The Action Plan put forward to Council in the aftermath of the summit was based on the ideas that came forward during the summit, as prioritized by City staff.

The business and development communities, especially those with stakes in the downtown area, strongly supported the Downtown Action Plan and the fee exemptions in particular. They believed the exemptions would provide them with the incentives needed to undertake development that would otherwise be too risky due to high land prices and the myriad practical problems associated with inner-city projects. Most local resident associations also supported the exemptions as a way of encouraging the redevelopment of vacant lots that marred the area and to bring more vitality to the downtown.

There was very little opposition to the plan. Some Councillors felt that the fee exemptions would put more burden on rural and suburban areas and that they would eventually have to come to an end, but they did not oppose the plan. As for the other provisions of the action plan, some residents' associations were concerned that completely eliminating parking requirements on certain arteries could negatively impact parking on adjacent streets. Council responded by amending the Action Plan so as to reduce but not eliminate parking requirements in the areas of concern.

A Mayor's Downtown Task Force was established, consisting of a range of development and resident interests, including community association presidents,

business people, developers and school board officials. Its mandate is to help guide the implementation of the Action Plan when advice is needed on specific issues, roughly every 2-3 months.

In 2002, a series of ads were placed in daily and community newspapers to promote the downtown policy initiative. A brochure outlining the highlights of the initiative and some of the main development projects in the affected area was widely disseminated to the public and development community.

## IMPACTS

The repeal of development charges in 1994 coupled with improved market conditions brought about a revival in the downtown housing market in the mid-1990s. Over 30 housing projects were initiated between 1994 and 1997, for a total of 1,773 units. About half the developments were townhouses located on infill sites or produced through the conversion of non-residential buildings.

Since the exemptions program was renewed and expanded in 2000, 34 residential projects in the downtown area have been built, are under construction or are in the approvals process, for a total of some 2,500 new residential units. All of these projects benefit from the fee and parkland exemptions and 24 of them have had or will have their development charges waived (fewer because of the smaller applicable area).

According to developers, the fee exemptions have had a real impact on their decision-making. For instance, the fee waivers played a significant role in the decision of a private developer to proceed with a condominium apartment project on a former parking lot in the downtown. The Metropolitan has 39 units in a 7-storey building and 29 units in an 11-storey building, as shown in Figure 2.



Figure 2: The Metropolitan condominiums

As important as it is, however, the City recognizes that the incentives program is not the sole contributor to the recent growth in the central area. City planners estimate that about one-third of the recent growth in the downtown would not have occurred without the program.

## FINANCIAL ISSUES

Administration of the Downtown Action Plan is carried out by two staff planners (1/3 FTE each). Their work includes the creation of brochures describing downtown developments and other activities relating to the fee exemptions and the Downtown Action Plan, such as the launch of the Urban Design Strategy process.

The fee exemptions result in a significant revenue loss for the City. In the 15 months between May 2000 and August 2001, the City forewent revenue of over \$480,000 in building permit fees and over \$30,000 in planning application fees. Foregone revenue for cash-in-lieu of parkland amounted to about \$400,000 and development charge exemptions amounted to about \$2.7 million. Total exemptions added up to about \$3.6 million.

The lost revenue comes out of the City's general budget, i.e., there is no reserve fund set aside for this purpose. However, the increase in property taxes that results from downtown development compensates quickly for the revenue loss. Typically, the fee exemptions are recouped in less than four years.

The value of the exemptions to the commercial and residential developers affected by the policy depends to some extent on the value of the specific construction. Using the Metropolitan example (shown above), the exemptions saved \$956,000, or about 5.8% of the total project value. However, the tax stream from this development will amount to \$285,600 annually. In other words, the lost revenue will be made up in less than three and half years.

## EVALUATION

Considerable success has been achieved in attracting new residential development downtown through the exemption program and other actions taken by the City. The program has helped restore confidence in downtown investment and has demonstrated to the development community and Ottawa residents that the City is committed to the downtown through actual initiatives rather than just general policy statements in the Official Plan.

Development activity in the downtown is at an all time high: street life and economic activity in the downtown is increasing as a result of the burgeoning resident population. The area is gaining a reputation as an attractive and safe place to live, work, shop and play.

One disappointment from the City's point of view is that little of the recent residential development in the downtown has included commercial or other uses. Also disappointing is the fact that the policy to waive or reduce parking requirements on certain downtown streets has not resulted in any significant residential development over retail uses at street level.

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### DOCUMENTS:

City of Ottawa. 1998. Downtown Living (Brochure).

City of Ottawa. 2002. Downtown Ottawa: A Capital Place to Live (Brochure).

City of Ottawa. April 5, 2000. Backgrounder: Downtown Revitalization Summit – Action Plan.

City of Ottawa. November 9, 2001. Report to Council on the Downtown Revitalization Action Plan.

### WEB SITE:

www.ottawa.ca  
(City of Ottawa)

**OUR WEB SITE ADDRESS:** [www.cmhc.ca](http://www.cmhc.ca)

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